

20 March 1972

MEMORANDUM FOR: Deputy Director of Basic and Geographic Intelligence  
THROUGH: Chief, Geography Division, OBGI *EW*  
THROUGH: Chief, Far East/Pacific Branch, OBGI *JK*  
SUBJECT: Proposed OBGI Sponsored Seminar Topic

1. A topic concerned with small and medium scale industry and its significance in Chinese industrialization plans is proposed for possible inclusion in the OBGI seminar series. Preliminary contacts with OER personnel indicate a favorable response to the idea. No list is included of academicians who would be invited, but undoubtedly there are several China specialists -- economists, geographers, and others -- who could make contributions. More specific information and background about the topic are provided below.

2. Industrialization in the PRC has proceeded along two fronts. First, the widely publicized development of industry patterned after the Soviet model -- concentration upon heavy industry and central government control in the planning and allocation of resources -- followed during the 1950's. A second less well known and visible effort is local or small and medium scale industrial development under provincial and local administrative control. National application of local industry techniques -- the Maoist "walking on two legs" approach -- did receive great publicity during the Leap Forward period. The excesses and ill-planning of many of these enterprises, e.g., the backyard furnaces, led to their early abandonment by the PRC.

3. Although much less information is available about the Chinese economy during the 60's and to the present, limited data are available to indicate that small and medium scale industrialization projects have once again been given some priority -- though with much less publicity and pervasiveness in implementation than characterized the earlier Leap Forward era. The rationale, extent, management, and economic and geographic soundness of such a program is a broad and relatively little known topic -- but one of considerable importance in understanding Chinese economic development and predicting its future.

4. Geographic interest in this topic includes the relationship of the industrial projects to local resources, transportation lines



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that serve them, market areas served, and the existence of an industrial system or hierarchy ascending from local levels through province and the economic coordination region. Although little information is believed available on the existence of industrial hierarchies and systems, there may be sufficient data to permit reasonable deductions and inferences to be made. There may be, for example, information available in selected areas to permit a model to be constructed with potential applications for other areas in China.

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5. Interest exists in OER on this topic, though presently little substantive research has been promoted. [ ] an analyst in the Industries Branch, China Division, indicated that although a limited amount of preliminary research has been done on this topic, priority work had prevented a published research report. He felt that a seminar of the type envisaged would be useful and that quite likely OER would be willing to participate and contribute. He further stated that [ ] the Branch Chief, was interested in this, particularly from the point of reallocation of industrial capacity. [ ] also suggested that a maximum OER contribution would likely require a lead time of several months to permit additional research. Currently, priority work would not allow any more than perfunctory participation if the seminar were held during the next few weeks.

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| 3  | DD, OBG 1005 Mag.                                    | 21 March     | RMA            |
| 4  | D/OBG-1  | " "          | JK             |
| 5  | <i>RTZ I'm in a quandary about these things - JK</i> |              |                |
| 6  |  |              |                |
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| <b>Remarks:</b> <i>JKK</i><br>This seminar suggestion relates also to the theme of <span style="border: 1px solid black; display: inline-block; width: 150px; height: 20px; vertical-align: middle;"></span> article on "modern" China. We shouldn't undertake it until perhaps summer or fall.<br>Do you want to consider the USSR topic further? <i>JK</i><br><i>BDA</i> |  |              |                |
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